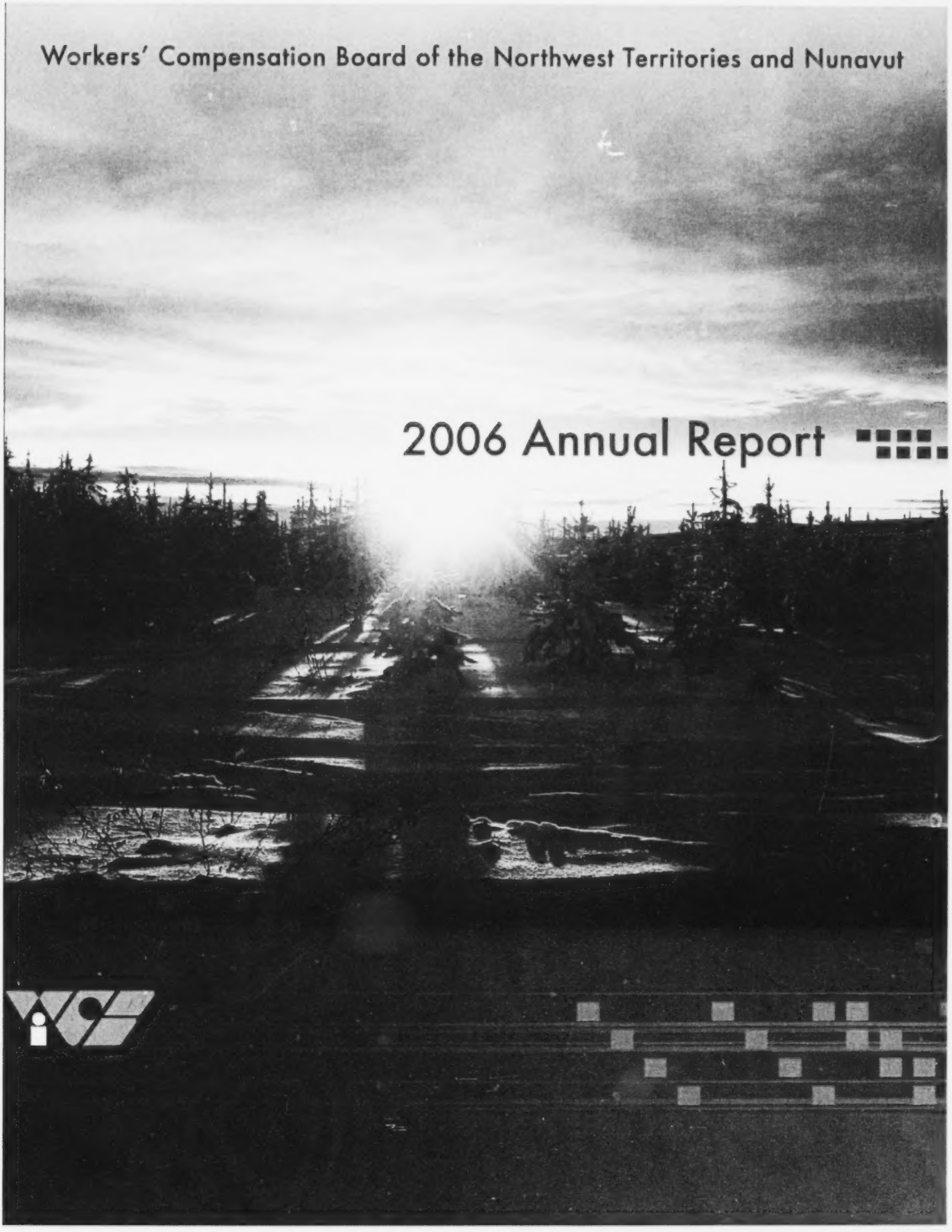
Workers' Compensation Board of the Northwest Territories and Nunavut

# 2006 Annual Report



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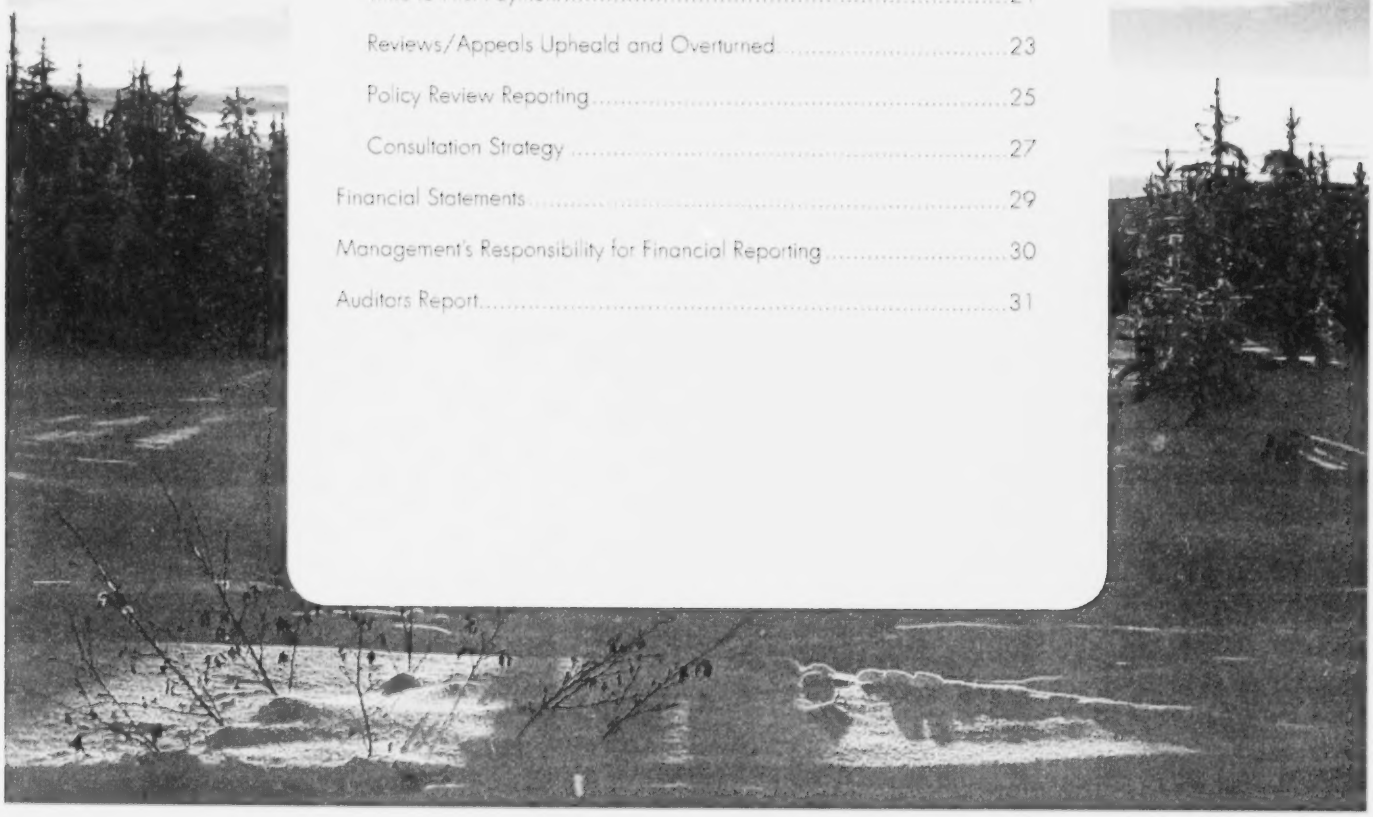


WORKERS' COMPENSATION BOARD
Northwest Territories and Nunavut

# MISSION, VISION, VALUES

*The mission, vision, and values are the foundation of the Workers' Compensation Board of the Northwest Territories and Nunavut. They provide a framework for the strategic priorities and goals developed by the Governance Council, and guide each employee's daily activities and actions.*

## Mission

Promote workplace safety and care for injured workers.

## Vision

To be recognized as a caring, efficient, and service-focused organization and a model and trusted partner in workplace safety.

## Values

### Concern for People

- We demonstrate care and compassion in responding to our clients' needs and to the communities we serve.
- When working with our clients, partners, other stakeholders, and each other, we do so with honesty, fairness, respect, sensitivity, and timeliness, proactively and consistently.

### Collaboration & Engagement

- We work with our partners to achieve mutually beneficial outcomes.

### Integrity

- We honour the commitments we make to our clients, our partners, other stakeholders, and each other.
- We lead the adoption of and model the workplace safety standards that we promote with employers and workers.

### Transparency & Openness

- We will be clear to our clients about how decisions are made and the reasons for those decisions.

# FORWARD

The Workers' Compensation Board of the Northwest Territories and Nunavut (WCB) produces and publishes the Annual Report as a matter of record, pursuant to section 96 of the Financial Administration Acts of both territories.

The Annual Report reflects on the business activities of the previous year. It is developed in correlation with the WCB's Corporate Plan. The Annual Report verifies the WCB's performance and success in support of its strategic priorities and goals outlined in the Corporate Plan.

# GOVERNANCE COUNCIL

The Governance Council operates in a manner consistent with the Workers' Compensation Acts and corporate governance directives. It is the responsibility of the Council to oversee the conduct of business and management, while maintaining the credibility and vitality of the Workers' Compensation Board as a corporation.

The Governance Council has the authority and mandate to:

- establish policies for the implementation of the Workers' Compensation Acts;
- review and approve the programs and operating policies of the Board;
- establish annual operating and capital budgets;
- ensure proper stewardship of the Accident Fund; and,
- enact by-laws and pass resolutions for the conduct of the business and affairs of the Board and the Governance Council.

In fulfilling the obligation to provide effective oversight, the Governance Council will provide overall direction and monitor the following areas of accountability:

- setting the strategic direction;
- developing and monitoring oversight and operating policies;
- succession planning;
- financial oversight and stewardship;
- performance management;
- risk identification and management;
- review and approval of material transaction;
- communication with key stakeholders; and,
- governance oversight.

**Chairperson**
Denny Rodgers (Inuvik)
October 13, 2005 – October 12, 2007

**Labour Representatives**
Shona Barkley (Iqaluit)
June 1, 2006 – May 30, 2009

Steve Petersen (Yellowknife)
May 1, 2006 – April 30, 2008

**Public Interest Representatives**
George Kuksuk (Arviat)
May 31, 2004 – May 30, 2007

Willard Hagen (Inuvik)
April 18, 2006 – November 14, 2006

**Employer Representatives**
William Aho (Yellowknife)
May 1, 2006 – April 30, 2008

Karin McDonald (Inuvik)
October 15, 2004 – October 14, 2007

# LETTER OF TRANSMITTAL

June 1, 2007

The Honourable Tony Whitford
Commissioner of the Northwest Territories

The Honourable Ann M. Hanson
Commissioner of Nunavut

The Honourable David Krutko
Northwest Territories Minister Responsible for the Workers' Compensation Board

The Honourable Patterk Netser
Nunavut Minister Responsible for the Workers' Compensation Board

In accordance with Subsection 96 of the Northwest Territories and Nunavut Workers' Compensation Acts, it is my pleasure to present the Annual Report of the Workers' Compensation Board for the year ending December 31, 2006, which includes audited financial statements.

Accompanying the financial statements is an actuarial opinion as to the reasonableness of the future pension and future claims liabilities, and the adequacy of the contingency reserve.

The 2006 Annual Report is a step above last year's standard. This report goes beyond the WCB's responsibility for financial reporting. It provides information about its key statistical results from 2006 and, for the first time, includes the Governance Council's Balanced Scorecard results. These results explain the WCB's progress and success in regards to specific performance measures. By including the Balanced Scorecard results within the annual report, we will be able to connect the past year's results and project the WCB's goals into the future.

I commend the work of the Governance Council, staff, and management of the Workers' Compensation Board. Your effort is proof that northern employers and workers are well served by this organization.

Yours truly,

Denny Rodgers, Chairperson
Workers' Compensation Board of the Northwest Territories and Nunavut

# FROM THE OFFICE OF THE INTERIM PRESIDENT

The 2006 Annual Report reflects the Workers' Compensation Board of the Northwest Territories and Nunavut's (WCB) commitment to improving our customer service and communication to ensure greater accountability and openness.

2006 was characterized by reflection and preparation. The performance audit from the Office of the Auditor General of Canada (OAG) provided the WCB with the opportunity to participate in a learning experience. At the WCB, we were able to reflect on and examine our services, daily operations, and accountability structures. As Interim President, I am pleased to share that our organization successfully responded to all 26 recommendations from the OAG. These recommendations addressed the need for the WCB and its Governance Council to be clearer about the WCB's accountability to its stakeholders, including the Ministers and Legislative Assemblies. Our Action Plan was accepted by the Governance Council in September 2006, and by the time it was filed with the Ministers responsible, many of the recommendations were already being implemented or in the process of development within WCB operations.

This year, we have expanded the Annual Report to go beyond our financial statements and measures of success. You will notice that, like last year, it does include our 2006 statistical data and yearly review, but for the first time, we have also included our Balanced Scorecard results. These results examine, in detail, the importance, targets, performance highlights, programs, and strategies of each performance measure. We hope by sharing these results, the WCB can better illustrate the links between our strategic priorities and organizational goals with our mission, vision, and values, and provide greater accountability to our stakeholders.

In 2006, the WCB also prepared for the completion of the Phase II Legislative Amendments. A final draft of the new Workers' Compensation Act has been completed. The legislation was wholly rewritten in clearer language and in a more user-friendly sequence. In 2007, the legislation will be tabled in both the Northwest Territories and Nunavut legislatures. We believe the adoption of our new legislation will be a positive step toward improving our services and communication with our clients.

Implementation of the Safe Advantage program is scheduled for 2008. The introduction of a new rate setting and employer classification system in early 2006 was the first of many steps to prepare for its launch. The WCB is very excited about this program, and about the fairness and accountability it will reflect. We are confident that Safe Advantage will change the workplace safety culture in the north.

I am pleased to introduce the 2006 Annual Report. At the WCB, we continue to improve the way we do business. We hope our continued transition conveys our commitment to our stakeholders, and to the workers, and employers of the north, as we continue to work together, build partnerships, and create safer tomorrows. I look forward to working with you as we move toward the future, and toward accomplishing our Mission – Promote workplace safety and care for injured workers.

John Doyle, Interim President
Workers' Compensation Board of the Northwest Territories and Nunavut

# 2006 STATISTICAL DATA

## Territorial Demographics

(Source: Statistics Canada)

| | NWT | Nunavut | Total |
|---|---|---|---|
| Population | 41,929 | 30,850 | 72,779 |
| Labour Force | 23,700 | 9,700* | |
| Number Employed | 21,973 | 11,528 | 33,501 |
| Average weekly earnings | $972.56 | $882.33 | $941.53 |
| *Limited to the 10 largest communities in Nunavut (about 70% of the working-age population) | | | |
| **Claimants:** | **2004** | **2005** | **2006** |
| Number of claims reported | 3,069 | 3,321 | 3,290 |
| Number of claims established | 2,615 | 2,817 | 2,862 |
| Number of lost time compensated claims | 817 | 950 | 908 |
| Number of work related fatalities | 5 | 10 | 8 |
| Number of new pensions | 116 | 119 | 87 |
| Average composite duration of time loss claims | 52.1 Days | 43.6 Days | 30.6 Days |
| **Employers:** | **2004** | **2005** | **2006** |
| Total Number of Assessable Employers | 4,171 | 3,727 | 3,649 |
| Number of industry classes | 8 | 8 | 8 |
| Number of rate groups | 29 | 2925 | |
| Number of employers requesting additional optional coverage | 747 | 570 | 52 |
| **Lost Time Injury Rate:** | **2004** | **2005** | **2006** |
| The lost time injury frequency (LTI) is defined as the number of lost time compensated injuries per 100 workers. | | | |
| Lost Time Injury Frequency | 2.33 | 2.74 | 2.71 |
| **Financial Indicators:** | **2004** | **2005** | **2006** |
| Maximum annual insurable earnings (YMIR) | $66,500 | $66,500 | $67,500 |
| Assessable Payroll (in millions) | $1,571.6 | $1,741.5 | $1,830.6 |
| Average provisional undiscounted assessment rate per $100 assessable payroll | $2.39 | $2.06 | $1.87 |
| Average provisional discounted assessment rate per $100 assessable payroll | $1.91 (20% Discount) | $1.87 (10% Discount) | $1.87 (Discount phased out) |
| Actual average assessment rate per $100 assessable payroll | $1.82 | $1.96 | $2.00 |
| Percentage funded (including reserves) | 116% | 128% | 132% |

# YEAR AT A GLANCE

## Mission, Vision, and Values

In November 2006, the Governance Council approved new Mission, Vision, and Values statements for the WCB. The new statements reflect the changing northern workplace and the WCB's increasing focus on workplace safety and injury prevention. The Mission, Vision, and Values are the foundation of the WCB. They provide a framework for strategic priorities and goals. The Values are lived by staff, and the Mission and Vision guide their activities and actions every day.

## OAG/AOC Recommendations

In June 2006, the Office of the Auditor General of Canada (OAG) presented its Report on the Workers' Compensation Board of the Northwest Territories and Nunavut. The performance audit focused on three key areas: governance, the claims and appeals process, and communication. Specifically, the report examined: the Board's governance structure, the Governance Council's oversight of the direction and management of the Board, the relationship between management and the Governance Council, the relationship between the Board and stakeholders, and the clarity of these roles and relationships for stakeholders.

The WCB was pleased with the OAG's Report, and feels that it reflects positively on the organization. The organization also recognized that the report identified key areas for improvement. As a result, the WCB developed an extensive action plan to address all 26 recommendations highlighted in the OAG's Report. The WCB met its commitment to have the action plan approved by the Governance Council in September 2006. It also met the objective of providing the plan to the Accountability and Oversight Committee by the end of the year, along with the Communications Protocol.

Prior to the Governance Council's approval of the action plan in September 2006, many of the recommendations were already being implemented or in process of development within WCB operations. The new legislation will also address some of the issues raised by the OAG, such as conflicting medical opinions. In the future, the WCB will be leveraging technology to address some recommendations around taping telephone calls to assess and improve customer service, as well as utilizing video conferencing to contact claimants who no longer reside in the territories.

## Customer Service

### CAAPS

In 2006, the WCB saw this large-scale project in its final development stages. Testing of and training for the Compensation, Assessment, and Pensions System (CAAPS) involved staff from every division, as the WCB prepared for phase II implementation. CAAPS was designed to provide a faster, more efficient response to staff, and to better manage claims data. Although implementation was scheduled for December 2006, CAAPS will go live in January 2007, and will be used by staff to better meet the needs of clients.

### Performance Management

2006 marked the first full year of the WCB's new competency-based performance management system. This competency-based model was adopted to meet the WCB's priority to be an efficient and adaptive organization. The adoption of this model allows the organization to evaluate staff performance in accordance with its Mission, Vision, and Values, and targets training requirements such as customer service. Staff performance is crucial to providing excellent service, as well as the overall success of the organization.

### Legislative Amendments

The WCB, the Departments of Justice, and a private drafter completed the bulk of the work on the "Phase II" amendments to revise the Workers' Compensation Acts in 2006. The Bills will be introduced in early 2007 in both the Northwest Territories and Nunavut legislatures. They are expected to come into force in 2008.

The completion of the legislative amendments is the culmination of a project that began in 2001 with the Act Now report commissioned by the Ministers responsible for the WCB. Amendments were made to include modern concepts, clarify entitlement to compensation, and make the Acts more user-friendly for stakeholders.

## Building Partnerships

The WCB has developed strong partnerships with St. John Ambulance, Skills Canada, the Northwest Territories and Nunavut Chambers of Commerce, and both Territorial Governments.

The WCB partnered with St. John Ambulance to provide first aid training for companies in the Northwest Territories and Nunavut. To ensure northern workers receive the necessary training to work safely, the WCB has set aside funding for training available through St. John Ambulance. Employers can apply for subsidized training, or for employees to participate in a publicly-offered St. John Ambulance course.

The WCB is a proud supporter of Skills Canada and of their partnership in educating youth about workplace safety. The WCB was pleased to congratulate Peter Boggis of Yellowknife on winning the Gold Medal in Workplace Safety at the Skills Canada 12th National Competition, held in Halifax, Nova Scotia, May 23-26, 2006.

The WCB intends to build upon its already established relationships. Aside from building partnerships with local and territorial organizations, the WCB also participates in various national initiatives, such as the National Day of Mourning and North American Occupational Safety and Health (NAOSH) Week, to help spread the message of safety and demonstrate its commitment to ensuring workers return home safely every day.

In November 2006, the Governance Council approved a pilot project and partnership with the Northwest Territories Construction Association (NTCA) to create a joint safety association, the Northern Construction Safety Association (NCSA). This partnership will focus on reducing workplace injuries by showing employers how to properly manage their health and safety risks. It will provide the WCB with an opportunity to build relationships with northern employers, and to break down barriers to communication and participation.

# Safety Awareness

## Mine Safety

The Mine Safety unit provides services to both Northwest Territories and Nunavut Operations. In 2006, it continued to provide services to the employers and workers in the mining industry. The Mine Safety unit is first and foremost responsible for the permitting and authorization of all mine designs and construction, including airstrips, water supply and distribution, and other related infrastructure. Some 250 permits and written authorizations were issued in 2006.

Mine Safety services also include ongoing compliance monitoring and safety inspections of active producing mines, mines under construction, exploration sites, reclamation sites, quarries, and all work related to the use of explosives. In 2006, Mines Inspectors conducted 114 mine site inspections.

## Mine Rescue

The 40th Annual Territorial Mine Rescue Competition was held in Yellowknife on June 9-10, 2006. The competition was divided into seven separate tasks, and had five competing teams.

*BHP Billiton Diamonds – Ekati Mine – Northwest Territories was declared the Overall Underground Winner. Tahera Diamond Corporation – Jericho Mine – Nunavut* was declared the Overall Surface Winner. Both BHP and Tahera will represent the Northwest Territories and Nunavut at the Western Regional Mine Rescue Competition, to be held in Fernie, British Columbia, in September 2007.

## Education

The WCB offers numerous training courses throughout the year. These are an important component of safety education. The courses are intended to provide northern workers and employers with the means to create safe work environments. The total number of courses delivered in 2006 was 197.

The training courses offered in 2006 included:

- Due Diligence for Volunteer Responders
- Incident and Accident Investigation
- Indoor Air Quality
- Internal Responsibility System
- Occupational Health and Safety (OH&S) Committees
- Safety Awareness
- Workplace Hazardous Materials Information System (WHMIS)
- Workplace Hazardous Materials Information System (WHMIS) Instructor
- Workplace Safety

1,979 workers were trained in 2006, this was 14% (245 workers) higher than in 2005.

### Prevention Services

Ongoing compliance monitoring and safety inspections are a crucial part of the WCB's prevention services. Inspections are conducted to ensure compliance of the Safety Acts and General Safety Regulations, as well as the Mine Health and Safety Acts, of the Northwest Territories and Nunavut. The overall number of worksites visited across the Northwest Territories and Nunavut in 2006 was 1,273.

## Social Marketing

In 2006, the WCB introduced a new series of marketing advertisements that focused on social marketing strategies. "A minute can mean a lifetime" captured the intent of the campaign: to touch the personal lives of workers involved in workplace accidents. The ads demonstrated that workplace injuries affect more than the worker, and have life altering consequences. They also showcased the WCB's increased focus on creating a workplace safety culture. In late 2006, these advertisements were developed into television commercials; these will begin to air on northern news stations in early 2007.

## Legal Services

### Fraud

The WCB and the Crown pursued criminal charges against a worker who committed fraud against the WCB by accepting benefits for total disability while he was working. The cost to the WCB in fraudulent benefits was approximately $90,000.

An investigation revealed an employer was under-reporting its payroll to a significant degree. After sharing results of the investigation with the employer, payroll estimates were revised to include approximately $400,000 of previously unreported payroll.

The Investigations unit worked with Communications and Information to develop a series of brochures to raise awareness about the types and consequences of fraud committed against the WCB, and to encourage stakeholders to partner with the WCB to prevent fraud.

### Legal Action

The WCB received and responded to a complaint under the Human Rights Act, which led to the first adjudication panel of the Human Rights Commission in the NWT. The issue was whether the WCB policy to exclude a worker's Employment Insurance receipts from the calculation of remuneration amounts to discrimination on the basis of "social condition." A decision is expected soon.

The WCB began proceedings, requesting the Supreme Court decide whether jurisdiction for Occupational Health and Safety (OH&S) matters at the Colomac Mine Reclamation project lies with the WCB or with Human Resources and Social Development Canada (HRSDC) in its capacity as regulator of OH&S for federally regulated employers.

# Employer Services

In 2006, a new rate setting and employer classification system was introduced. This completed Phase I of the implementation of the WCB's new Safe Advantage program, scheduled for roll out in 2007.

Safe Advantage encourages larger employers to improve and maintain good levels of safety in their workplaces. This program aims to achieve a greater sense of fairness and accountability by providing significant financial incentives for employers to maintain and improve safety cultures and return to work practices. 2006 focused on defining criteria and standards for employers, developing rules and policies, preparing internal WCB systems, and analyzing claims statistics and costs. In 2006, the WCB also initiated external consultation with stakeholders, held meetings and discussions with employers who will be affected by Safe Advantage, and targeted workplace inspections.

# Claims Volume

In 2006, 3290 potential claims were reported to the WCB. Of those reported, 8 were fatalities and 908 were time loss claims.

The total number of time loss claims decreased by 4% (42 claims), while registered claims decreased by 1% (31 claims).

As a percentage of reported claims, the 2006 claim denial rate was 7%, down 1% compared to 2005.

# Natural Resource Exploration and Development

Mining continues to be one of the cornerstones of the Northwest Territories' economy, and is positioned to become even more important in Nunavut. In 2006, there were three operating mines in the Northwest Territories with another nearing completion, and one mine operating in Nunavut.

Exploration activity in both Nunavut and the Northwest Territories increased during 2006, particularly in Nunavut. There were over 60 camps in operation at some time during the year. Much of the exploration activity focused on diamonds or precious metals. However, there are also programs targeting base metals, iron ores, and uranium, which could position Nunavut as having the biggest mining operations the north has ever seen.

With continued exploration activity in the Beaufort Delta due to the proposed Mackenzie Gas Project, the WCB continues to maintain an office in Inuvik, so that a safety officer is readily available for inspections and occupational health and safety education matters.

# BALANCED SCORECARD RESULTS

The Governance Council of the Workers' Compensation Board of the Northwest Territories and Nunavut (WCB) has established four key priorities to guide the organization. These priorities are specific to the WCB's customers, financial results, organizational excellence, and governance. Its priorities are further broken down into eight specific goals:

1. Well trained, safety-conscious workers.
2. Healthy and safe workplaces in the Northwest Territories and Nunavut.
3. Benefits provided are fair to workers and affordable to employers.
4. Stewardship of the Accident Fund.
5. Timely, professional, client-focused services.
6. Competent and capable people.
7. Modern, effective, and comprehensive legislation.
8. Highly capable and informed directors.

To evaluate the success of each goal, the WCB uses a set of performance measures and targets that allow the organization to benchmark its progress from year to year. The priorities, goals, and performance measures of the Workers' Compensation Board of the Northwest Territories and Nunavut are directly linked to its Mission, Vision, and Values. They provide a foundation for performance measurement, and guide annual planning and decision making at all levels within the organization.

To develop a more comprehensive picture of its operations, the WCB has decided to report beyond financial measures by including the Governance Council's Balanced Scorecard results. Of the many performance indicators used by the WCB, 8 have been identified as the most crucial to the fulfillment of the WCB's strategic priorities and goals. The performance measures highlighted within this report are: lost time injury frequency, the average provisional assessment rate, the Year's Maximum Insurable Remuneration (YMIR), time to first payment, percentage of claims upheld through the appeals process, policy review reporting, and consultation strategy.

The 8 performance measures highlighted within this report demonstrate the WCB's commitment to balanced scorecard reporting, transparency, and openness. By illustrating the connection between its Mission, Vision, and Values, and the strategic priorities and performance measures, the WCB's reporting tools will reflect on the past year and project into the future.

# PERFORMANCE MEASUREMENTS

## Lost Time Injury Frequency

### Importance

The lost time injury frequency measures the risk of workplace injury for workers in terms of the proportion of workers who suffer a lost time work injury. It represents the number of new lost time injury claims per 100 workers. This measure connects directly with the WCB's first goal - Well trained, safety conscious workers. The individual worker plays a vital role in creating a progressive workplace safety culture. Analysis of this performance indicator is crucial to understanding injury prevention and to the promotion of safe work environments.

### Setting Targets

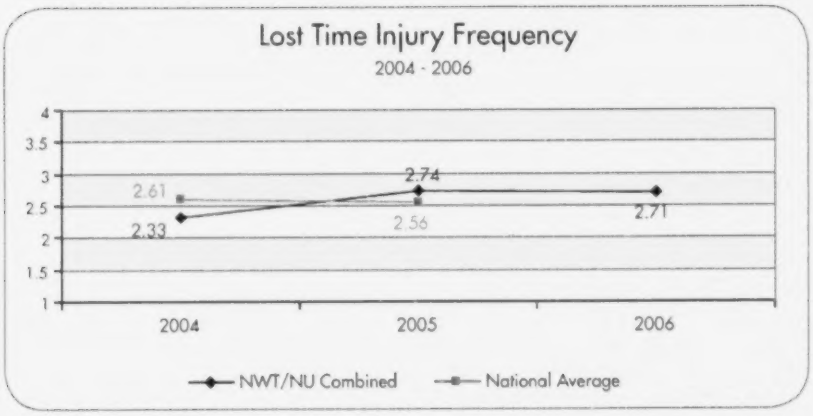
The WCB is committed to ensuring safety is a priority for employers, workers, and its stakeholders in the Northwest Territories and Nunavut. In 2006, the WCB targeted a downward trend in injury frequency. A downward trend would indicate that training practices and safety programs are operating with success, and have a positive impact on northern workers and their safety practices.

### Performance Highlights

The 2006 frequency rate of time loss injuries in Nunavut (2.52) was 9% lower than in 2005, the NWT frequency rate (2.81) was 3% higher. The combined 2006 frequency rate (2.71) was 1% lower than the 2005 rate.

### Lost Time Injury Frequency Rates by Territory

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| NWT/NU Combined | 2.33 | 2.74 | 2.71 |
| NWT | 2.38 | 2.74 | 2.81 |
| Nunavut | 2.31 | 2.78 | 2.52 |
| National Average | 2.61 | 2.56 | Not Yet Available |




## Programs and Strategies

To ensure safety standards are being met, the WCB continues to monitor and visit worksites. Worksite visits are conducted on a regular or as-needed basis, such as when new safety programs are being initiated or safety concerns need to be addressed. In 2006, the WCB visited 1,273 worksites.

The WCB offers numerous training courses throughout the year. They are an important component of safety education, and aim to provide safe workplaces to northern workers and employers. In 2006, the total number of courses delivered was 197. The overall number of workers trained in 2006 was 1,979, 14% (245 workers) higher than in 2005.

First aid training is available through St. John Ambulance, which has partnered with the WCB. Through this partnership, the WCB can cover the costs of training for companies in the Northwest Territories and Nunavut. Employers can apply for subsidized training, or for employees to participate in a publicly-offered St. John Ambulance course. To apply, employers need to complete a WCB application form, available from St. John Ambulance.

## On the Horizon

The WCB has partnered with the Northwest Territories Construction Association (NTCA) in developing the Northern Construction Safety Association (NCSA). This partnership will provide further opportunities to reach workers and employers in the NT and NU. This pilot project aims to reduce workplace injuries by showing employers how to properly manage their safety and health risks. The NCSA will open the doors of communication between employers, workers, and the WCB, as well as ensure the safety message is being shared.

Go Safe, set to launch in 2007, targets small businesses and provides assistance in developing Occupational Health and Safety programs for their companies. It will provide employers with the freedom to develop safety goals unique to their workplaces and to develop their own safety identities with the help of the WCB.

# Average Provisional Assessment Rate

## Importance

The average provisional assessment rate is of great importance to the WCB's stakeholders and employers of the Northwest Territories and Nunavut, and is directly connected to its goal –Benefits provided are fair to workers and affordable to employers. Assessment rates are used to calculate an employer's annual premium. The average provisional assessment rate represents what the average employer pays per $100 of assessable payroll. This measure is compared to both the WCB's previous year's average and nationally to other boards' average assessment rates.

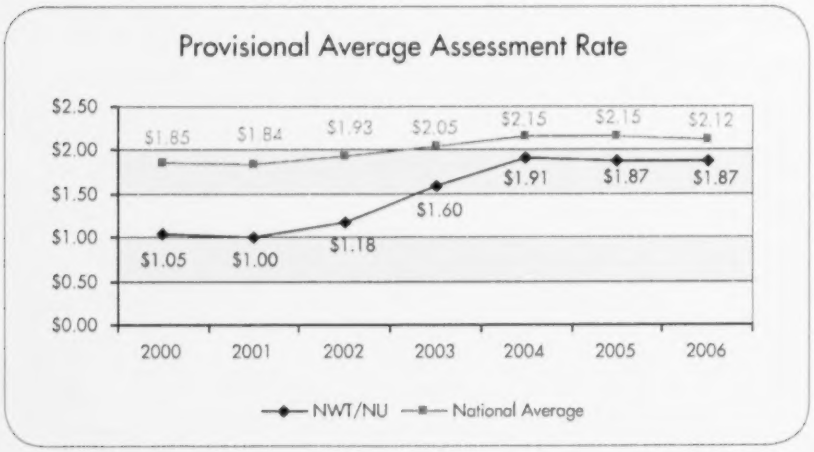
## Setting Targets

The targeted average provisional assessment rate for 2006 was $1.80, with a subsequent target of no increase over two years.

## Performance Highlights

Although the WCB was unable to achieve an average provisional assessment rate of $1.80, there was no increase in its average assessment rate between 2005 and 2006. The average provisional assessment rate was the fourth lowest in the country and $0.25 lower than the national average of $2.12. This demonstrates the WCB's sincere commitment to providing fair and affordable benefits.

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|
| NWT/NU | $1.05 | $1.00 | $1.18 | $1.60 | $1.91 | $1.87 | $1.87 |
| National Average | $1.85 | $1.84 | $1.93 | $2.05 | $2.15 | $2.15 | $2.12 |



## Programs and Strategies

In October 2004, the Governance Council approved changes to the rate setting and employer classification system; this took effect in January 2006. The approved changes improve the responsiveness of assessment rates to claims experience. Employer assessment rates are now calculated based on claims costs over a five-year period, instead of their lifetime records. Employers will notice improvements to their assessment rates as a result of improved injury records.

The number of employer subclasses was reduced to 25 in 2006. With a reduced number of subclasses, the WCB hopes to see more stable assessment rates. The WCB also introduced a periodic review of claims costs and risks to determine if individual employers still fit within their designated subclasses. This review will ensure that employers' assessment rates are being calculated properly.

In 2006, an internal audit was conducted on the administration of pensions, the process of entitling claims, and the operation of the Review Committee. These audits are a part of the 2006 Annual Internal Audit Performance Report. Internal audits are conducted to provide WCB management and the Governance Council with an assessment of WCB operations and recommendations for improvements. This monitoring function helps ensure divisions within the organization are working as intended by the President and the Governance Council. In addition to internal audits, the WCB also has an Evaluation Plan that looks specifically at its policies and programs to ensure they are effective and efficient. Both the Internal Audit Plan and Evaluation Plan act as an independent assessment of the WCB's operations to ensure it is properly administering the Act in an efficient manner, so it can continue to provide fair and affordable benefits.

## On the Horizon

The Safe Advantage program will be introduced in 2008. It targets large businesses and complements the new rate setting and classification system. Safe Advantage is a merit/demerit program that will offer incentives to improve workplace safety, and early and safe return to work programs. It rewards employers with proven superior safety and return to work practices and results. Conversely, employers with poor safety and return to work practices and results will be penalized. Safe Advantage provides significant financial incentives for employers to maintain and improve safety and return to work practices. SAFETY PAYS!

## Looking Ahead to 2007

The 2007 average provisional assessment rate decreased to $1.71.

# Year's Maximum Insurable Remuneration (YMIR)

## Importance

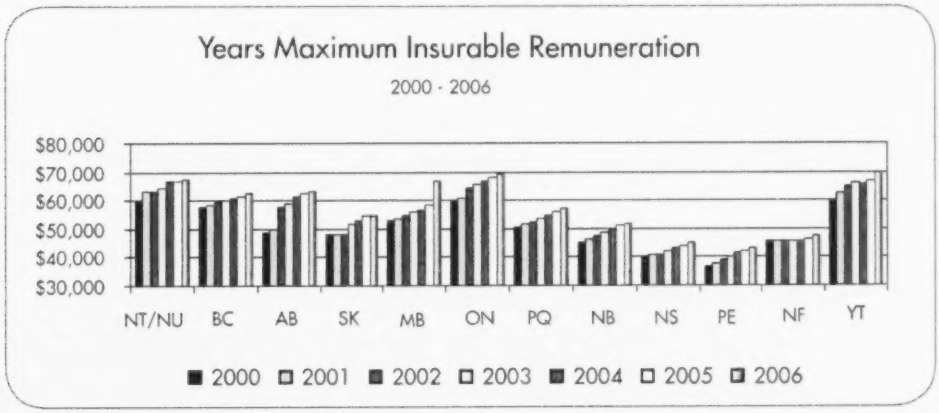
The YMIR establishes a ceiling for calculating a worker's compensation benefits and employers' assessable payrolls. If serious incidents do occur, the YMIR protects employers when calculating the injured worker's wage compensation. It prevents high fluctuations in assessment rates. Therefore, the YMIR assists the WCB in achieving its goal – Benefits provided are fair to workers and affordable to employers.

## Setting Targets

The WCB's target for this performance measure is the full replacement of compensation to a band of 70-80% for the Northwest Territories and Nunavut workforce.

## Performance Highlights

The 2006 YMIR was the third highest in Canada. It increased from $66,500 in 2005 to $67,500 in 2006, and covered full replacement of compensation to 80% of the Northwest Territories and Nunavut workforce.




## Programs and Strategies

The YMIR is reviewed and set annually by the Governance Council. During the annual review, the following factors are considered:

- the distribution of NWT and Nunavut workers' salaries across industry sectors;
- changes in the industrial base and employers' ability to pay premiums; and
- the Consumer Price Index and the average industrial wage.

## Looking Ahead to 2007

In 2007, YMIR increased to $69,200 and covers full replacement of compensation for 80% of the Northwest Territories and Nunavut workforce.

# Percentage Funded

## Importance

The WCB's Funded Position represents the value of the Accident Fund divided by the organization's future liabilities.

The Accident Fund is the total amount of invested assessment revenue, reserves, and investment income (or losses). Future costs for all claims in the current year and prior years are considered future liabilities against the value of the Accident Fund.

When the funded position is too low (below 100%), the burden of covering future liabilities transfers to future generations of employers, which means they will have to pay higher assessment rates to cover the difference. Proper stewardship of the Accident Fund ensures the WCB can maintain fair and affordable benefits.

## Setting Targets

The Governance Council set a target range of 108% to 120% funded. Setting the funded position in this range strengthens reserves and cushions the impact of volatile investment returns. It also provides the opportunity to stabilize future assessment rates and invest in occupational health and safety.

## Performance Highlights

At the end of 2006, the WCB was 132% funded, which was higher than the target range of 108% to 120% funded.

The increase in the funded position was driven by increases in overall payroll and investment income. Both exceeded 2006 forecast levels. Also, administration and claims costs for current compensation and pension payments for prior years' claims were lower than expected. The WCB's funded position is influenced by a wide range of external factors, including: economic growth, interest rates, inflation, and severity of injuries.

The Governance Council will discuss options to reduce the funded position while maintaining the stability of the Accident Fund and allowing for volatility of the investment market.

## Programs and Strategies

The Governance Council approved Policy 02.07- Mega Project Assessments, a policy that allows the WCB to identify mega-projects that may be a risk to the Accident Fund. The Policy includes a mandate to negotiate with project development companies leading a mega-project, for the purpose of entering into special financial arrangements that will ensure the claims costs associated with the project are completely covered by the development company.

The intent of the Policy is to protect long-term employers from the impact of possible spikes in injury rates and claims costs associated with large scale projects that are only in the north for a short period of time. In 2006, the WCB began negotiations in relation to the Mackenzie Valley Natural Gas Pipeline Project to ensure the appropriate assessment rate is developed.

The WCB has a moderate to conservative investment strategy. Its investment objectives are:

- to achieve a long-term rate of return, given the level of risk deemed appropriate by the Governance Council, which is sufficient to pay Plan benefits and administrative costs; and,
- to achieve a long-term rate of return that provides for assessment rates that are reasonable and predictable given the Plan benefits.

These objectives are established to ensure Governance Council members involved in the management of the Accident Fund understand the goals and direction of the fund, and assist them in maintaining long-term focus and stability during times of turbulent investment markets.

## On the Horizon

The WCB is funded entirely by employers. Assessment revenues, in excess of current expenses, are invested in the stock market to pay the future costs of past injuries. The Governance Council acts as the fiduciary of these funds. Through prudent investment management and performance monitoring, the Governance Council ensures the sustainability of workers' compensation in the Northwest Territories and Nunavut.

Related to a strong financial position and investment objectives of achieving long-term rates of return that are both stable and sufficient to cover Plan benefits; the Governance Council requested an Asset Liability Study of the investment fund in the summer of 2006. In September 2006, the Governance Council approved a new asset mix that will have lower risk (i.e. return volatility) while providing similar returns as the existing asset mix. Broadly speaking, returns should be similar due to the inclusion of new asset classes with lower expected return (i.e. real estate and mortgages) and those with a higher expected return (i.e. Canadian and US small/mid cap equities). Risk will be reduced primarily through the inclusion of more asset classes (broader diversification) and further reduced with the inclusion of mortgages and real estate which generally have lower return volatility. These changes will be fully implemented in 2007.

# Time to First Payment

## Importance

The WCB strives to continually improve its services to workers, employers, and stakeholders of the Northwest Territories and Nunavut. It is extremely important that its clients' needs are met in a timely manner. The WCB's organizational excellence rests in the hands of its employees and their ability to provide, and achieve, the WCB's goal – Timely, professional, client-focused services.

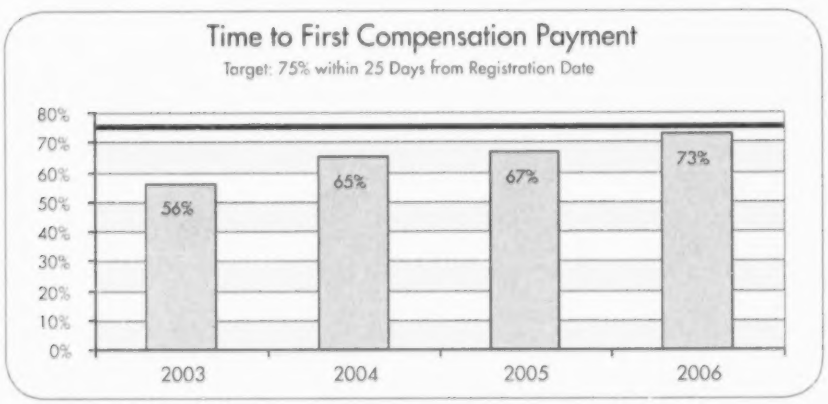
## Setting Targets

Workers who suffer a time loss injury are under a great deal of stress. Their first priority is getting the appropriate medical attention. Their second priority is making sure their financial and family security is not compromised. The WCB fully recognizes the need for financial security, and is committed to making sure injured workers receive their wage compensation as quickly as possible.

The target, set by the Governance Council, is that a minimum of 75% of injured workers receive their first compensation payment within 25 days from the day their time loss claims were registered.

## Performance Highlights

The WCB has shown continual improvement in this performance measure. In 2006, 73% of workers who had time loss claims received their first compensation payments within 25 days. Through continued monitoring, training, and improved systems, the WCB is working toward reaching and exceeding this target.



## Programs and Strategies

In 2006, $260,000 was spent on training. Training initiatives focused on improving customer service and developing the skills of WCB front-line employees, who are the first point of contact with clients.

2006 marked the first full year of the WCB's new Performance Management system. Employees are assessed based on organization-wide competencies that stem from the WCB's Mission, Vision, and Values. Employees are encouraged to set goals within their Individual Action Plans and discuss benchmarks for their accomplishments. A commonly used benchmark is time to first payment.

## On the Horizon

The WCB's new processing system, Compensation, Assessment, and Pensions System (CAAPS) was in its final stages of development during most of 2006. CAAPS is an integrated Assessment, Claims, and Prevention system. Although most testing and preparation occurred in 2006, the system will go live in January 2007. CAAPS is an internal system; it will assist in providing better customer service, and will also allow the WCB to meet future needs, including E-business.

# Reviews/Appeals Upheld and Overturned

## Importance

WCB employees make hundreds of decisions on compensation, rehabilitation, and assessment matters every working day. In 2006, 3,290 claims went through the adjudication process, and 3,649 employers were assessed. The underlying goal is to arrive at the "right" decision by weighing evidence in a consistent manner and ensuring compliance with the Workers' Compensation Acts and WCB policy.

The vast majority of decisions made by the WCB are accepted by all parties; however, workers and employers have the right to appeal any decision the WCB has made. There are two levels of appeal available to workers and employers. The first level is the WCB Review Committee, which operates internally. The second level is the external Appeals Tribunal, which is independent from the WCB.

Both the Review Committee and the Appeals Tribunal are important parts of the adjudication process. Their findings provide an indicator of the overall quality of WCB decisions, and may highlight the need for policy review, employee training, and/or improved stakeholder communication.

The WCB tracks the number of reviews and appeals upheld or overturned at each level. (Some outcomes will "vary," as the review or appeal may involve more than one issue with differing outcomes.)

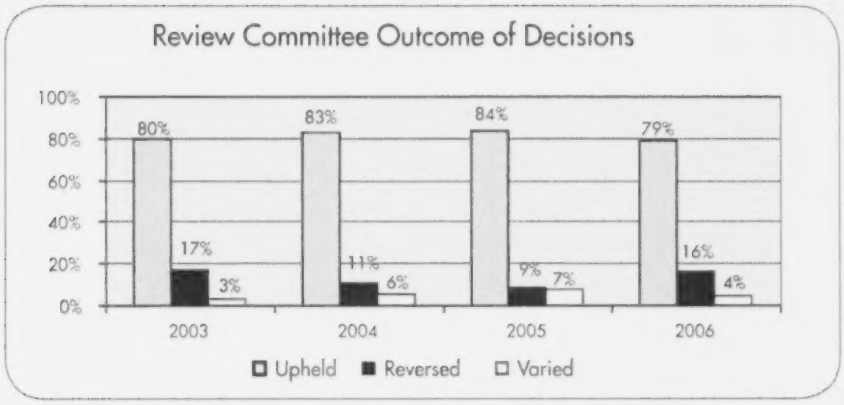
## Setting Targets

In 2006, the Governance Council directed the WCB to collect baseline data on the number of reviews and appeals upheld or overturned. This data will be used to set future targets.

While an overall review or appeal rate of zero would be ideal, that objective is not practical based on the current realities of staffing, claim complexity, and claim volume. Therefore, a practical range for upheld and overturned decisions will be established. The target will take into account that outcomes of reviews and appeals may be decided differently by virtue of new information or a reweighing of existing information, which is part of the process and not necessarily indicative of erroneous decision making.

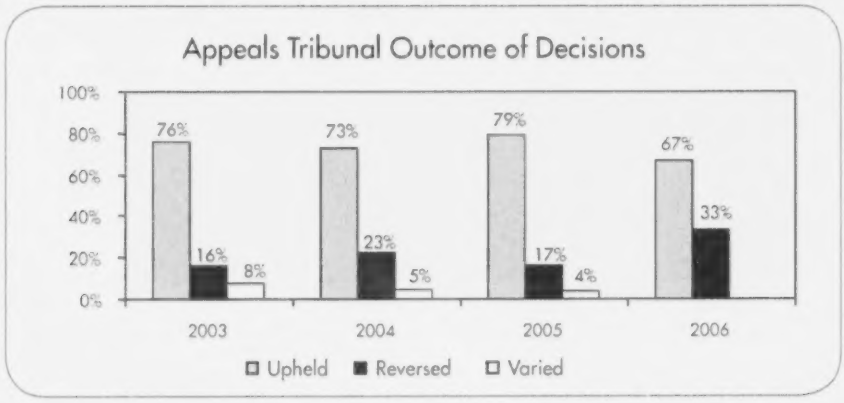
## Performance Highlights

In 2006, the Review Committee received 96 requests for review and completed 92. Of the 92 reviews completed, 73 (79%) upheld the original decision, 15 (16%) reversed the decision, and 4 varied in outcome.




The Appeals Tribunal received 19 appeals and heard 12 appeals in 2006. Of the 12 appeals completed, 8 (67%) upheld the original decision, and 4 (33%) reversed the decision.

Delays can be attributed to external factors, including: the availability of the part-time tribunal members appointed by the Minister, scheduling conflicts with appellants, and delays in receiving additional medical opinions. The Appeals Tribunal is committed to resolving appeals in a timely manner. All appeals are heard in the order they are received, and hearings are scheduled as soon as possible.




## Looking Ahead to 2007

In 2007, the Appeals Tribunal will be moving to a new location, separate from WCB headquarters in Yellowknife.

# Policy Review Reporting

## Importance

This performance measure stems from our goal – Modern, effective, and comprehensive legislation and related policies. The northern work environment is continually changing and, like other organizations, the WCB must be efficient and adaptive. The Governance Council shows its commitment to this goal through the approval of the Comprehensive Policy Review Plan, which sets out the WCB's schedule of policy review. The Comprehensive Policy Review Plan ensures that policies:

- are reviewed at least every three years;
- are compliant with legislation and regulations; and
- reflect current knowledge and practice.

This ensures that our policies and practices remain up-to-date and maintain their effectiveness.

## Setting Targets

WCB policy review reporting summarizes which policies have been revised, drafted, and/or approved within the reporting period. The Comprehensive Policy Review Plan provides the framework of WCB policies, directives, and other policy related documents requiring review and/or consultation, and sets out the proposed schedule for the following three years. The current review schedule spans from 2006 to 2008.

## Performance Highlights

In 2006, the Governance Council approved the development and/or revisions to five WCB policies: three related to the provision of vocational rehabilitation services; one outlining services provided for severely injured workers; and one dealing with coverage for workers in remote camps. In addition, two directives related to Governance Council travel and remuneration were revised and approved. The Northwest Territories and Nunavut Permanent Impairment Rating Guide was also revised to reflect current medical practice related to hearing loss. An index was created and implemented for the WCB Policy Manual. Research and development began on three policies outlining the new Safe Advantage program, which will be implemented in 2008.

The WCB also began its pilot phase of the external consultation model adopted in late 2005. Consultation on two issues, vocational rehabilitation and pain disorders, were undertaken and completed in 2006.

## Programs and Strategies

All WCB policies are reviewed according to the priority set by the Governance Council. Priority is determined by the policy's relative importance to the WCB and the urgency to its operations. The Governance Council reviews the Comprehensive Policy Review Plan bi-annually, setting its priorities for the coming three years. These priorities may be revised as required throughout the scheduled period.

Policies that are new, require updating or substantive changes, are consequences of legislative amendment, and/or have high importance with stakeholders will achieve higher priority. To ensure cohesive application and consistency, policies with the same or similar subject areas are grouped and reviewed together.

## On the Horizon

Proposed Phase II Legislative Amendments were completed in 2006. The WCB expects these amendments will be passed by both the Northwest Territories and Nunavut Legislative Assemblies in June 2007, with full implementation of the new Workers' Compensation Acts in 2008. Policy revisions required to support these legislative amendments will be the primary focus of the Comprehensive Policy Review Plan upon approval.

The WCB will continue to enhance its external consultation process in 2007, with further consultations planned on services provided to workers with severe injuries and policies supporting the new Safe Advantage program, which will be implemented in 2008.

# Consultation Strategy

## Importance

In its June 2006 performance audit report, the Office of the Auditor General of Canada (OAG) recommended the WCB Governance Council monitor its newly adopted approach to consultation and regularly seek input from its stakeholders on controversial issues and ongoing policy development.

Consultation ensures stakeholders have an opportunity to influence the content of policies prior to decisions being finalized. Consultation also allows for public opinions, concerns, and/or questions to be addressed, leading to improved relationships and communications between the WCB and its stakeholders. This contributes to the development of an accountability structure which is open and transparent.

## Setting Targets

Although the consultation strategy/model is an integral part of the Comprehensive Policy Review Plan, not all policies under this plan will require public/stakeholder consultation. An annual Governance Council approval process will identify those policies and issues requiring consultation. The adoption of this strategy/model will ensure consultation is sought when required and used to benefit stakeholders, and the WCB, when developing policy.

## Performance Highlights

In November 2005, the Governance Council approved Policy 00.07 – Consultation, and directed WCB Administration, to commence the pilot phase of the external consultation strategy/model using four Vocational Rehabilitation Policies.

Under this model, WCB's external consultation process involves the following steps:

- stakeholder identification and confirmation;
- initial contact and a development of contact database;
- development of a framework of issues/questions requiring consultation;.
- stakeholder contact, including framework distribution;
- follow-up to ensure stakeholder understanding;
- evaluation of stakeholder responses for inclusion in proposed revisions to policy;
- WCB response to stakeholder participants outlining areas of agreement, providing clarification (if required) , and/or outlining current practices; and
- distribution of draft new/revised policies to the participating stakeholders.

Consultation, on the issue of pain disorders, was also undertaken and completed in 2006.

## Programs and Strategies

During its pilot phase, the WCB identified several factors that would improve the outcome of future consultations. The WCB continues to be dedicated to the ongoing refinement of the consultation process to ensure greater communication, participation, and transparency.

## On the Horizon

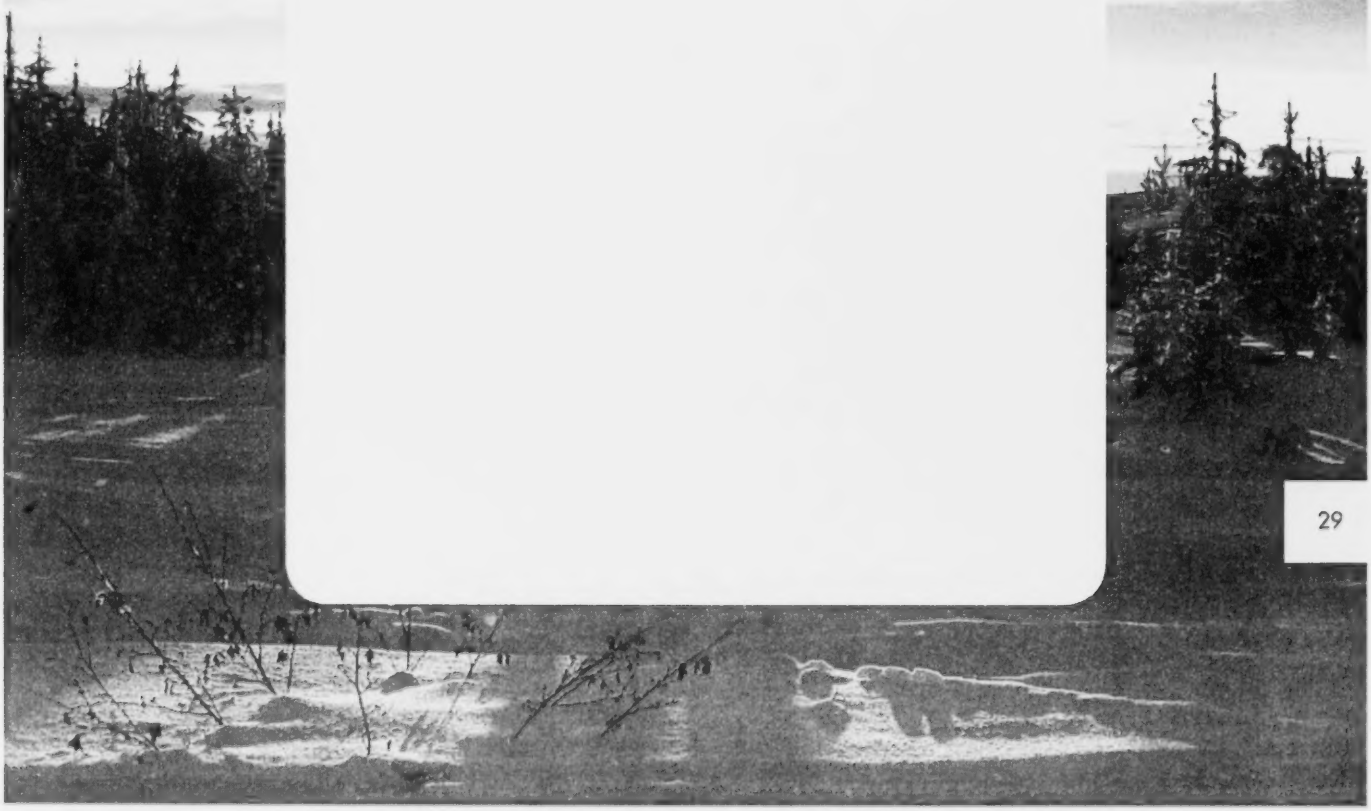
The WCB will continue to enhance its external consultation process in 2007, with further consultations planned on services provided to workers with severe injuries and the policies to support the new Safe Advantage program, which will be implemented in 2008.

Further issues requiring external stakeholder consultation in 2008 will be identified by the Governance Council as part of its bi-annual review of the Comprehensive Policy Review Plan.

WORKERS' COMPENSATION BOARD
NORTHWEST TERRITORIES & NUNAVUT

# FINANCIAL STATEMENTS

DECEMBER 31, 2006



# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Workers' Compensation Board and all information in this annual report are the responsibility of the Board's management and have been reviewed and approved by the Governance Council. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include some amounts, such as the benefits liability, that are necessarily based on management's best estimates and judgment. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibilities for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized and in accordance with the specified legislation, assets are safeguarded, and proper records are maintained.

The Governance Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Governance Council exercises this responsibility and is composed of Directors who are not employees of the Workers' Compensation Board. The Governance Council meets with management and the external auditors on a regular basis. The external auditors have full and free access to the Governance Council.

The Auditor General of Canada annually provides an independent, objective audit of the financial statements for the purpose of expressing her opinion on these financial statements. She also considers whether the transactions that come to her notice in the course of this audit are, in all material respects, in accordance with the specified legislation.

Morneau Sobeco, an independent firm of consulting actuaries, has been engaged to perform an actuarial valuation and provide an opinion on the adequacy and appropriateness of the benefits liability of the Workers' Compensation Board.

John Doyle,
Interim President

Jeffrey Dalley,
Corporate Comptroller

May 4, 2007

## AUDITOR'S REPORT

To the Ministers of the Workers' Compensation Board
of the Northwest Territories and Nunavut

I have audited the balance sheet of the Workers' Compensation Board of the Northwest Territories and Nunavut as at December 31, 2006 and the statements of operations and other comprehensive income, reserves, and cash flow for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Northwest Territories and Nunavut Financial Administration Acts, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Board and the financial statements are in agreement therewith. In addition, the transactions of the Board that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX of the Northwest Territories and Nunavut Financial Administration Acts and regulations and the Northwest Territories and Nunavut Workers' Compensation Acts and regulations.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
May 4, 2007

# BALANCE SHEET

**As at December 31, 2006** *(in thousands of dollars)*

| | 2006<br>$ | 2005<br>$<br>Restated<br>(Note 3) |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents (Note 4) | 3,900 | 8,173 |
| Assessments receivable | 4,972 | 3,789 |
| Other receivables and prepaid expenses | 230 | 1,593 |
| Fixed income investments (Note 5a) | 129,759 | 114,684 |
| Equity investments (Note 5b) | 196,579 | 160,091 |
| Buildings and equipment (Note 6) | 6,877 | 6,558 |
| | 342,317 | 294,888 |
| **LIABILITIES AND RESERVES** | | |
| Liabilities | | |
| Accounts payable and accrued liabilities | 2,060 | 1,342 |
| Assessments refundable | 537 | 357 |
| Benefits liability (Note 7) | 218,957 | 206,544 |
| Deferred proceeds from Giant Mine litigation (Note 11a) | 15,932 | - |
| Employee future benefits (Note 8b) | 977 | 857 |
| | 238,463 | 209,100 |
| **RESERVES (Note 9)** | | |
| Operating reserve | 11,951 | 15,074 |
| Investment fluctuation reserve | 33,488 | 22,286 |
| Rate stability reserve | 38,000 | 28,000 |
| Safety reserve | 165 | 178 |
| Catastrophe reserve | 20,250 | 20,250 |
| | 103,854 | 85,788 |
| | 342,317 | 294,888 |

Commitments (Note 10)
Contingencies (Note 11)

***The accompanying notes form an integral part of these financial statements***

Approved by the Governance Council:

Denny Rodgers

Chairperson, Governance Council

# STATEMENT OF OPERATIONS AND OTHER COMPREHENSIVE INCOME

**For the year ended December 31, 2006** *(in thousands of dollars)*

| | 2006<br>$ | 2005<br>$<br>Restated<br>(Note 3) |
|---|---|---|
| **REVENUE** | | |
| Assessments | 36,651 | 34,129 |
| Investments | | |
| Interest and dividends | 13,742 | 11,581 |
| Investment gains – net (Note 5c) | 21,874 | 16,986 |
| Investment fees | (1,145) | (1,026) |
| | 71,122 | 61,670 |
| **EXPENSES** | | |
| Claims costs | | |
| Claims costs, current year (Note 7) | 29,197 | 25,729 |
| Claims costs, prior years (Note 7) | 8,202 | (5,778) |
| Claim costs, prior years' cost of living payments | 151 | - |
| Recoveries for hunters and trappers (Note 13) | (873) | (904) |
| Third party legal claim recoveries (Note11) | (51) | (1,628) |
| | 36,626 | 17,419 |
| Administration and general expenses (Note 12) | 16,430 | 15,675 |
| | 53,056 | 33,094 |
| NET INCOME FROM OPERATIONS | 18,066 | 28,576 |
| Other comprehensive income | | |
| **NET INCOME FROM OPERATIONS AND OTHER COMPREHENSIVE INCOME** | 18,066 | 28,576 |

*The accompanying notes form an integral part of these financial statements.*

# STATEMENT OF RESERVES

**For the year ended December 31, 2006** *(in thousands of dollars)*

| | 2006<br>$ | 2005<br>$<br>Restated<br>(Note 3) |
|---|---|---|
| **OPERATING RESERVE** | | |
| Balance, beginning of year | 15,074 | 11,484 |
| Net income from operations and other comprehensive income | 18,066 | 28,576 |
| Transfer to Rate stability reserve | (10,000) | (14,000) |
| Transfer to Investment fluctuation reserve | (17,499) | (13,586) |
| Transfer from Investment fluctuation reserve | 6,297 | 2,900 |
| Transfer from Safety reserve | 13 | - |
| Transfer to Catastrophe reserve | - | (300) |
| **Balance, end of year** | 11,951 | 15,074 |
| **INVESTMENT FLUCTUATION RESERVE** | | |
| Balance, beginning of year | 22,286 | 11,600 |
| Transfer from Operating reserve | 17,499 | 13,586 |
| Transfer to Operating reserve | (6,297) | (2,900) |
| **Balance, end of year** | 33,488 | 22,286 |
| **RATE STABILITY RESERVE** | | |
| Balance, beginning of year | 28,000 | 14,000 |
| Transfer from Operating reserve | 10,000 | 14,000 |
| **Balance, end of year** | 38,000 | 28,000 |
| **SAFETY RESERVE** | | |
| Balance, beginning of year | 178 | 178 |
| Transfer to Operating reserve | (13) | - |
| **Balance, end of year** | 165 | 178 |
| **CATASTROPHE RESERVE** | | |
| Balance, beginning of year | 20,250 | 19,950 |
| Transfer from Operating reserve | - | 300 |
| **Balance, end of year** | 20,250 | 20,250 |

*The accompanying notes form an integral part of these financial statements*

# STATEMENT OF CASH FLOW

**For the year ended December 31, 2006** *(in thousands of dollars)*

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Cash received from: | | |
| Assessments from employers | 35,648 | 32,919 |
| Interest | 553 | 144 |
| Deferred proceeds from Giant Mine litigation (Note 11a) | 15,932 | - |
| Cash paid to: | | |
| Payments to claimants or third parties on their behalf | (23,740) | (21,825) |
| Purchases of goods and services | (14,793) | (16,137) |
| Cash provided by (used in) operating activities | 13,600 | (4,899) |
| **FINANCING ACTIVITIES** | | |
| Capital lease principal payments | - | (1,886) |
| **INVESTING ACTIVITIES** | | |
| Net transfer (to) / from investment managers' accounts | (16,500) | 12,000 |
| Purchase of capital assets | (1,373) | (1,813) |
| Cash (used) / provided by investing activities | (17,873) | 10,187 |
| (Decrease) Increase in cash and cash equivalents | (4,273) | 3,402 |
| Cash and cash equivalents, beginning of year | 8,173 | 4,771 |
| **Cash and cash equivalents, end of year (Note 4)** | 3,900 | 8,173 |

*The accompanying notes form an integral part of these financial statements.*

## 1. Authority, mandate and shared operations

The Workers' Compensation Board (the Board) operates under the authority of the Northwest Territories and Nunavut Workers' Compensation Acts. In addition, the Board is also responsible for the administration of the Northwest Territories and Nunavut Safety Acts, Mine Health and Safety Acts, and the Explosives Use Acts. The Board is exempt from income tax and the goods and services tax.

The mandate of the Board is to provide benefits to injured workers and to levy assessments against employers to cover the current and future costs of existing claims. The Board is also responsible for developing safety awareness programs and for monitoring safety practices in the workplace.

The Government of the Northwest Territories and the Government of Nunavut have signed an Inter-Governmental Agreement for a shared Workers' Compensation Board to allow the Board to remain as a single entity serving both territories. Cancellation of this agreement by either party requires one full fiscal year's notice.

## 2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of the significant accounting policies:

### a) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. The more significant management estimates relate to the determination of the benefits liability and assessments receivable.

### b) Cash and cash equivalents

Cash and cash equivalents are cash and money market instruments with initial maturities up to three months, less any bank overdraft. Cash and short-term investments held by the investment managers for investment purposes are excluded from cash and cash equivalents reported on the balance sheet.

### c) Assessments

At the beginning of each year, the Board levies assessments on employers by applying their industry assessment rate to their estimated payrolls for the year. The assessment levy is payable by installments during the year. At year end, an estimate of the amount of adjustments to assessments based on the expected difference between estimated payroll and actual payroll is recognized as assessment revenue and recorded as a receivable.

An allowance for doubtful accounts is recorded for assessments receivable based on management's best judgment. The Governance Council must approve all assessments receivable write-offs.

### d) Investments

Canadian generally accepted accounting principles require financial assets to be designated as held for trading, held-to-maturity or available-for-sale. Held for trading generally refers to financial assets that are acquired with the objective of generating a profit in the near term. However, a financial asset may be designated as held for trading even if an entity does not intend to sell or repurchase it in the near term. Once an entity designates a financial asset as held for trading, the designation is irrevocable.

The Board has chosen to designate all of its investments as held for trading. Consequently, investments are recorded at fair value. The fair value for publicly traded investments is based on quoted market prices. The fair value of privately held investments is determined using a yield to maturity method. When classifying investments as held for trading, realized and unrealized gains or losses, arising from a change in the fair value of the investments during the year, are recognized in income in the period in which the change occurred.

Interest and dividends are recognized in income in the period earned. Purchases and sales of investments are recognized on the trade date.

Investments denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the end of the year. Interest, dividends and realized gains and losses are translated at the exchange rates in effect on the transaction date. Exchange gains and losses resulting from the translation of foreign currency balances at year-end and transactions during the year are recorded in investment gains.

### e) Benefits liability

The benefits liability represents the present value of future payments in respect of medical aid benefits, compensation payments, and pensions in respect of claims arising from accidents occurring prior to the end of the fiscal year. The benefits liability also includes an allowance for future claims management costs.

Many assumptions are required to calculate the benefits liability, including estimates of future inflation, interest rates and mortality rates. The benefits liability is determined annually by an independent actuarial valuation. The independent actuary's opinion on the adequacy and appropriateness of the benefits liability is attached to these financial statements.

The benefits liability includes provision for all benefits provided by current legislation, policies and administrative practices. A provision for future claims arising from latent occupational diseases was not included in this valuation.

### f) Administration and general expenses

A portion of administration and general expenses is allocated as claims management costs to the current year's claims and the prior years' claims. The amount allocated to claims is reviewed by the independent actuary for reasonableness as part of the annual actuarial valuation of the benefits liability.

### g) Employee future benefits

#### Pension benefits

All eligible employees participate in the Public Service Pension Plan (the PSPP) administered by the Government of Canada. The Board's contributions to the PSPP are based on a percentage of employees' contributions. The percentage may change from year to year depending on the experience of the PSPP. The Board's contributions are charged to operations on a current basis as employees render services and represent the total pension obligations. The Board is not required to make contributions with respect to actuarial deficiencies of the PSPP.

### Other benefits

Under the terms and conditions of employment, employees may earn non-pension benefits for resignation, retirement and removal out benefits based on years of service and final salary. The cost of these non-pension benefits is determined based on management's best estimates and recognized as an expense and liability as employees render services.

### h) Buildings and equipment

Buildings and equipment are recorded at cost and amortized over their estimated useful lives using the straight line method as follows:

| | |
|---|---|
| Building | 25 years |
| Furnishings | 10 years |
| Equipment, including application software | 5 years |
| Leasehold improvements and office space (leased) | over the term of the lease |
| Computer software, customized | 8 years |

## 3. Correction of errors and restatement of 2005

The opening balance of the operating reserve was overstated and the benefits liability was understated by $858 in 2005, respectively, due to errors in the historical claims payments file used to calculate the benefits liability for prior years' claims. The claims costs, prior years and benefits liability were also overstated by $2,680 in 2005 due to an error in the calculation of the benefits liability. The comparative financial statements of 2005 have been restated to correct these errors. The effect of the restatement on those financial statements is summarized below. There is no effect on the information presented for the current year.

| | 2005<br>$ |
|---|---|
| Decrease in opening balance of the operating reserve | 858 |
| Decrease in claims costs, prior years | 2,680 |
| Increase in net income from operations and other comprehensive income | 2,680 |
| Net decrease in benefits liability | 1,822 |
| Increase in ending balance of the operating reserve | 1,822 |

## 4. Cash and cash equivalents

The Board invests in the short-term money market. The market yield of this portfolio for the year was 4.05% (2005 – 3.23%). All instruments held in cash and cash equivalents are readily convertible to cash and are held in high quality debt obligations issued or guaranteed by Canadian, Provincial, or Territorial governments, Canadian chartered banks, or loan or trust companies registered in Canada.

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| Cash | 1,558 | 547 |
| Short-term investments | 2,432 | 7,711 |
| | 3,990 | 8,258 |
| Less: bank overdraft | (90) | (85) |
| | 3,900 | 8,173 |

## 5. Investments

The Board's investment portfolio is comprised of fixed income and equity investments. The Board's investment objective is to achieve a long-term rate of return that is sufficient to fund the Board's benefits liability, cover its operating costs, and provide for reasonable and stable assessment rates for employers.

The Governance Council is responsible for reviewing and approving the Board's investment policy and plan. The investment policy and plan outlines the types and classes of investments the Board may invest in and how the Board plans to achieve its investment objective and manage its investment risk. The investments are managed by external investment managers with different investment management styles to reduce the Board's investment risk. Generally speaking, investments are held until market conditions provide a better investment opportunity. The Board regularly reviews the performance of its investment portfolio against established industry benchmarks.

### a) Fixed income

The fair value and cost of the fixed income investments are as follows:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Fair Value<br>$ | Cost<br>$ | Fair Value<br>$ | Cost<br>$ |
| Indexed bond funds | 82,187 | 81,112 | 72,432 | 70,905 |
| Other fixed income investments | 47,572 | 45,866 | 42,252 | 39,770 |
| | 129,759 | 126,978 | 114,684 | 110,675 |

Included in the above amounts are investments in privately held related party bonds, as disclosed in Note 13. The amount taken into net assets as a result of the estimation of fair value of the privately held investments is $833 (2005 - $971) and the amount taken into net income in 2006 is $(225) (2005 - $81).

The cumulative unrealized gains on fixed income investments at the end of the year are:

| | 2006 $ | 2005 $ |
|---|---|---|
| Fixed income – cost | 126,978 | 110,675 |
| Cumulative unrealized gains | 2,781 | 4,009 |
| **Fixed income – fair value** | 129,759 | 114,684 |

The remaining term to maturity of the other fixed income investments is as follows:

| | Within 1 Year $ | 1 to 2 Years $ | 2 to 5 Years $ | 5 to 10 Years $ | Over 10 Years $ | Fair Value 2006 $ |
|---|---|---|---|---|---|---|
| Cash, short term investments and net payable in investment manager accounts | 2,331 | - | - | - | - | 2,331 |
| Government bonds | - | 11,749 | 4,597 | 6,719 | 9,792 | 32,857 |
| Corporate bonds | - | 152 | 2,332 | 1,085 | 8,167 | 11,736 |
| Mortgage backed bonds | - | - | - | - | 648 | 648 |
| | 2,331 | 11,901 | 6,929 | 7,804 | 18,607 | 47,572 |

### b) Equity

The fair value and cost of the equity investments are as follows:

| | 2006 Fair Value $ | Cost $ | 2005 Fair Value $ | Cost $ |
|---|---|---|---|---|
| Canadian equities | 90,240 | 49,171 | 81,286 | 44,620 |
| U.S. equities | 50,913 | 47,865 | 33,879 | 36,444 |
| International equities | 55,426 | 45,885 | 44,926 | 42,283 |
| | 196,579 | 142,921 | 160,091 | 123,347 |

The cumulative unrealized gains and losses on the equity investments at the end of the year are as follows:

| | 2006 $ | 2005 $ |
|---|---|---|
| Equity investments – cost | 142,921 | 123,347 |
| Cumulative unrealized gains | 57,682 | 39,315 |
| Cumulative unrealized losses | (4,024) | (2,571) |
| **Equity investments – fair value** | 196,579 | 160,091 |

### c) Investment gains - net

The investment gains - net recorded in income can be broken down as follows:

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| Realized gains on investments | 6,186 | 6,411 |
| Change in unrealized gains and losses on investments during the period | 15,688 | 10,575 |
| | 21,874 | 16,986 |

### d) Investment performance

Investments are managed by six independent investment managers. The market yield of the portfolio for the year is as follows:

| | 2006 | 2005 |
|---|---|---|
| Fixed income investments | 4.09% | 6.84% |
| Canadian equities | 15.97% | 24.79% |
| U.S. equities | 16.46% | 0.16% |
| International equities | 23.28% | 8.68% |
| Cash and cash equivalents | 2.63% | 2.05% |

### e) Credit risk

Credit risk on financial instruments arises from the possibility that the issuer of a fixed income investment will fail to meet its obligations. In order to manage this risk, the Board's investment policy is that short term investments have a minimum credit rating of R-1(low) or its equivalent and that 90% or more of other fixed income investments have a minimum credit rating of A-1 or its equivalent. These ratings are performed by an independent rating service.

### f) Market risk

The Board invests in publicly traded fixed income and equity investments available on domestic and foreign exchanges and in privately held investments. These investments are affected by market changes and fluctuations. Market risk is managed through diversification between different asset classes and geographic diversification and by limiting the concentration in any single entity to 5% or less of the fair value of the investment fund. The exceptions to the 5% or less concentration rule are investments of $82,187 in an indexed bond fund and $55,426 in an international equity fund. Both of these funds are highly diversified.

The Board's investment target and actual asset mix at fair value December 31 is as follows:

| | Target | | | Actual |
|---|---|---|---|---|
| | Maximum | Minimum | 2006 | 2005 |
| Fixed income investments | 50% | 30% | 39.76% | 41.74% |
| Canadian equities | 30% | 20% | 27.65% | 29.58% |
| U.S. equities | 20% | 10% | 15.61% | 12.33% |
| International equities | 20% | 10% | 16.98% | 16.35% |
| | | | 100.00% | 100.00% |

### g) Interest rate risk

Fluctuations in interest rates can affect the fair value of the fixed income investments, as well as shift investor preferences among asset classes. Interest rate risk is minimized by actively managing the duration of the fixed income investments as detailed in note 5a).

### h) Foreign exchange risk

The Board has investments denominated in foreign currencies which are exposed to currency risk. To mitigate this risk, investment managers are authorized to enter into forward foreign exchange contracts, which represent commitments to exchange two currencies at a specified future date based on a rate agreed to by both parties at the inception of the contract, for the sole purpose of hedging foreign currency transactions. There were no forward foreign exchange contracts outstanding at December 31, 2006 (2005 - nil).

The total amount of investments, at fair value, exposed to foreign currency risk is as follows:

| Foreign country currency | Fixed income $ | Equity $ | Total Investments Fair Value 2006 $ |
|---|---|---|---|
| U.S. | - | 50,927 | 50,927 |
| Europe | - | 20,114 | 20,114 |
| United Kingdom | - | 11,687 | 11,687 |
| Japan | - | 11,894 | 11,894 |
| Switzerland | - | 6,111 | 6,111 |
| Hong Kong | - | 2,491 | 2,491 |
| Brazil | - | 1,161 | 1,161 |
| Australia | - | 774 | 774 |
| South Korea | - | 442 | 442 |
| Mexico | - | 332 | 332 |
| Subtotal | | 105,933 | 105,933 |
| Canada | 129,759 | 90,646 | 220,405 |
| | 129,759 | 196,579 | 326,338 |

Included in assets designated as international equity investments are $14 in U.S. dollar assets and $406 in Canadian assets.

## 6. Buildings and equipment

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| | $ | $ | $ | $ |
| Building | 3,193 | 150 | 3,043 | 3,002 |
| Leasehold improvements | 403 | 119 | 284 | 186 |
| Equipment | 3,542 | 2,705 | 837 | 867 |
| Computer software, customized | 3,569 | 1,092 | 2,477 | 2,271 |
| Furnishings | 619 | 383 | 236 | 232 |
| | 11,326 | 4,449 | 6,877 | 6,558 |

## 7. Benefits liability

| | Medical Aid | Compensation | Future Capitalizations | Pension Awards | Total 2006 | Total 2005 |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| | | | | | | Restated (Note 3) |
| Balance, beginning of year | 26,711 | 19,872 | 32,137 | 127,824 | 206,544 | 209,548 |
| Add: Claims costs | | | | | | |
| Current year* | 6,787 | 8,151 | 11,832 | 2,427 | 29,197 | 25,729 |
| Prior years* | (72) | (1,221) | 1,109 | 8,386 | 8,202 | (5,778) |
| Liability transfer, capitalizations | - | - | (4,397) | 4,397 | - | - |
| | 6,715 | 6,930 | 8,544 | 15,210 | 37,399 | 19,951 |
| Less: Claims payments | | | | | | |
| Current year injuries | | | | | | |
| Claims payments | 1,361 | 1,942 | 66 | - | 3,369 | 2,883 |
| Claims management | 476 | 680 | 6 | - | 1,162 | 982 |
| Prior years' injuries | | | | | | |
| Claims payments | 3,188 | 2,809 | 1,949 | 9,390 | 17,336 | 16,227 |
| Claims management | 1,116 | 983 | 175 | 845 | 3,119 | 2,863 |
| | 6,141 | 6,414 | 2,196 | 10,235 | 24,986 | 22,955 |
| Balance, end of year | 27,285 | 20,388 | 38,485 | 132,799 | 218,957 | 206,544 |

*The Governance Council approved a change in policy to allow for payment of permanent pensions to those workers suffering from chronic pain. As a result of this change in policy, the claims liability increased by $1.1 million for the current year's accidents and $5.7 million for prior years' accidents.

The following is an actuarial reconciliation of the changes in the benefits liability:

| | 2006<br>$ | 2005<br>$<br>Restated<br>(Note 3) |
|---|---|---|
| Balance, beginning of year | 206,544 | 209,548 |
| Add: | | |
| Provision for current year's claims | 24,666 | 21,864 |
| Interest allocated | 14,128 | 14,072 |
| | 38,794 | 35,936 |
| Deduct: | | |
| Payments for prior years' claims | (20,455) | (19,090) |
| Experience gain | (5,926) | (19,850) |
| | (26,381) | (38,940) |
| Balance, end of year | 218,957 | 206,544 |

The principal source for the experience gain is lower than expected compensation and pension payments for prior years' claims. Expectations of costs of awarded pensions and the ongoing cost of compensation and medical aid payments are based on the experience of prior years. The actual payments and awards of pensions in 2006 have been less than these expectations. In particular with regards to the expected number of pensions awarded. As well, the WCB uses an assumption of 3.5% inflation for long term pensions, and the experience in 2006 was 2.09%.

### Major actuarial assumptions

The claims liability is composed of two parts:

### Future claims liability

This liability represents the present value of the expected future claim payments on claims arising from accidents which occurred on or prior to the end of the fiscal year for hospital and medical services ("Medical Aid"), short term income benefits ("Compensation"), pension benefits for future capitalizations ("Future Capitalizations") and related administrative expenses. "Future Capitalizations" represents that portion of the future claims liability that is an estimate of the liability for expected pension benefit awards that relates to injuries that have already occurred.

A provision for expected future claims costs for Hunters & Trappers have been included in the Future Claims liability in accordance with the Memorandum of Understanding on Renewable Resources Harvesters (May 1994).

The liabilities for the medical aid and compensation benefits were developed using the loss development method. This method is also commonly known as the "claims run-off" approach. The liability for future capitalizations was developed using a modified version of the loss development method.

The following economic assumptions are used in the valuation of the Future Claims Liability: discount rate 7.125% (2005 - 7.125%), inflation – i) future capitalizations: 2.48% in 2007 and 3.5% per annum thereafter (2005 - 2.08% and 3.5%) ii) compensation and medical aid: 3.5% per annum (2005 - 3.5%).

### Approved pension liability

This liability represents the present value of the expected future pension payments plus related expenses for approved pension awards as at the end of the fiscal year.

The following economic assumptions are used in the valuation of the approved pension liability: discount rate 7.125% (2005 - 7.125%), inflation 2.48% in 2007 and 3.5% thereafter (2005 – 2.08% and 3.5%).

## 8. Employee future benefits

### a) Pension plan

The Board and all eligible employees contribute to the Public Service Pension Plan (PSPP). This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. Contributions to the Public Service Pension Plan were as follows:

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| Board's contributions | 1,220 | 1,301 |
| Employees' contributions | 557 | 535 |

### b) Other benefits

The Board provides other benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Liability for resignation, retirement severance and removal out benefits measured at the balance sheet date is as follows:

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| Accrued benefit obligation, beginning of year | 857 | 1,153 |
| Cost for the year | 152 | 48 |
| Benefits paid during the year | (32) | (344) |
| Accrued benefit obligation, end of year | 977 | 857 |

## 9. Funding policy and reserves

The funding policy of the Board is to maintain the benefits liability at a fully funded level at each year-end. The percentage funded is calculated as the ratio of total assets divided by the sum of total liabilities plus the catastrophe reserve. Fully funded status is maintained when this ratio is equal to, or greater than, one. The Board is fully funded at year end to meet its obligations and maintain an appropriate catastrophe reserve.

Reserves are the portion of the Board's net assets which are in excess of the amount required to fund the Board's liabilities. These reserves are established for specific purposes and have prescribed levels.

### a) Operating reserve

The operating reserve was established in accordance with the Workers' Compensation Acts and is intended to protect the Board against adverse fluctuations in claims costs and investment results. The target level for the operating reserve is established after the target level for the catastrophe reserve has been determined. Assessment rates are adjusted to bring the operating reserve to its target level over a period of between two years and ten years, depending on the margin by which the operating reserve is above or below the target level. The range of tolerance for the operating reserve is plus or minus 50% of the target level. The target range at year end was $5,184 to $15,553 (2005 - $4,920 to $14,759).

### b) Investment fluctuation reserve

The purpose of the investment fluctuation reserve is to recognize the annual gains and losses on investments on an even basis in the operating reserve over a period of five years.

### c) Rate stability reserve

The rate stability reserve was established to fund the provision of a rate discount to employers on their assessments. The target level for the rate stability reserve is determined after the target levels for the catastrophe reserve and operating reserve have been established. The rate stability reserve will be used to stabilize employer assessments as the investment market changes and there are fluctuations in the accident fund.

### d) Safety reserve

The safety reserve was established to fund safety programs and will be used to implement the Board's safety strategy.

### e) Catastrophe reserve

The catastrophe reserve is intended to protect the Board against a catastrophic event that results in a substantial increase in the Board's benefits liability. The Board has established specific criteria for determining whether an accident or event meets the definition of a catastrophic claim. The target level for the catastrophe reserve has been set at 300 times the Year's Maximum Insurable Remuneration (YMIR) of $67,500 (2005 - $66,500). The target level for the catastrophe reserve provides for the cost of a disaster.

## 10. Commitments

Future minimum lease payments on operating leases for office premises, staff accommodations and equipment over the next five years, and in aggregate, are as follows:

| | 2006<br>$ |
|---|---|
| 2007 | 1,398 |
| 2008 | 996 |
| 2009 | 704 |
| 2010 | 731 |
| 2011 | 434 |
| Thereafter | 358 |
| | 4,621 |

## 11. Contingencies

### a) Giant Mine Litigation

In 2006, the Supreme Court of the Northwest Territories awarded the Board $11,825 plus costs of $4,107, including pre-judgment interest, for the Giant Mine litigation. As required by the Supreme Court decision, the Board received payment of $15,932 in 2006 from the Government of the Northwest Territories insurer, one of the eight defendants in the litigation.

The decision of the Supreme Court is being appealed by some of the original defendants and therefore there is uncertainty whether the Board will retain the full amount received. The appeal will be heard in October 2007. In addition, the Workers' Compensation Acts and Board policy require that, once legal costs are recovered, the lesser of 25% of the amount of the judgment and the net amount remaining is to be paid to the claimant plaintiffs.

Until the outcome of the appeal is known, the full amount of potential gain cannot be determined or estimated, nor can the allocation of recoveries to legal costs and the claimant plaintiffs. Therefore, no amount has been recognized in income and the total proceeds of $15,932 have been recorded as a deferred credit on the balance sheet.

### b) Other litigation

There are a number of other third party legal claims outstanding for recovery of claims expenses from third parties. Third party legal claim recoveries, net of legal expenses, recognized in income during the year were $51 (2005 - $1,628).

The Board has reviewed an appeal made with regard to an overpayment of assessments by an employer. The Board estimates that it will not owe any amount related to this appeal. While this liability is not recorded in the financial statements, due to its uncertain nature, the amount of potential loss has been estimated at a maximum of $978.

A worker has launched an appeal with the NWT Human Rights Commission related to the Board's policy that does not include EI as compensable earnings. The case was heard in January 2007 but no decision has been rendered. The outcome cannot be predicted, nor the impact on the Board's financial position if successful.

## 12. Administration and general expenses

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| Salaries, wages and allowances | 11,993 | 11,187 |
| Professional services | 2,850 | 2,772 |
| Office lease and renovations (non-capital) | 1,699 | 1,619 |
| Amortization | 1,054 | 959 |
| Travel | 1,195 | 1,210 |
| Advertising and public information | 462 | 326 |
| Training and development | 436 | 319 |
| Communications | 424 | 409 |
| Office services and supplies | 341 | 257 |
| Office furnishings and equipment (non-capital) | 266 | 302 |
| Honoraria and retainers | 159 | 170 |
| Grants | 107 | 212 |
| Interest expense on capital lease obligation | - | 108 |
| Recoveries | (275) | (330) |
| | 20,711 | 19,520 |
| Less: Allocation to claims management costs | (4,281) | (3,845) |
| | 16,430 | 15,675 |

## 13. Related party transactions

The Board is related to all departments and territorial public agencies of the Governments of the Northwest Territories and Nunavut. The Board enters into transactions with these entities in the normal course of business. The following tables summarize the Board's:

Balances due from related parties:

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| Government of Northwest Territories | 111 | 143 |
| Government of Nunavut | 762 | 761 |
| Territorial public agencies | 6 | 19 |
| | 879 | 923 |

Through memoranda of understanding with the Governments of the Northwest Territories and Nunavut, the Board charges the governments for the costs of administering benefits relating to hunters and trappers claims. These costs include the increase or decrease in the future benefits liability related to hunters and trappers claims; therefore, a significant decrease in the future benefits liability can result in a refund by the Board to either government. Due from related parties includes reimbursements from the Governments of the Northwest Territories and Nunavut for hunters and trappers claims for the year in the amount of $111 (2005 - $143), and $762 (2005 - $761), respectively.

Balances payable to related parties:

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| Territorial public agencies | 124 | 79 |
| Government of the Northwest Territories | 62 | 31 |
| | 186 | 110 |

Assessments revenue, at rates determined using the same method as with others, from related parties:

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| Government of the Northwest Territories | 1,810 | 1,692 |
| Government of Nunavut | 1,366 | 1,560 |
| Territorial public agencies | 397 | 211 |
| | 3,573 | 3,463 |

Expenses to related parties:

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| Territorial public agencies | 697 | 762 |
| Government of Nunavut | 203 | 161 |
| | 900 | 923 |

Investments in bonds of related parties at fair value:

| | 2006<br>$ | 2005<br>$ |
|---|---|---|
| Northwest Territories Power Corporation | | |
| 11.00% maturing March 9, 2009 | 558 | 584 |
| 11.125% maturing June 6, 2011 | 1,220 | 1,265 |
| 6.42% maturing December 18, 2032 | 1,990 | 2,094 |
| 5.95% maturing December 15, 2034 | 1,163 | 1,182 |
| | 4,931 | 5,125 |
| Northwest Territories Legislative Assembly Building Society | | |
| 13.00% Series A, maturing August 31, 2013 | 382 | 413 |
| | 5,313 | 5,538 |

The Board does not record the value of other services provided without charge by the Governments of the Northwest Territories and Nunavut in these financial statements. The services provided without charge are not significant but include areas where the Board follows government administrative policies and employment contracts. These services include training services, records management, and human resources support.

## 14. Fair value of other financial instruments

Cash and cash equivalents, accounts payable and accrued liabilities, and other amounts receivable and refundable are valued at their carrying values on the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the financial instruments.

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